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Market Timing, E-Mail Fines for Jefferson Pilot *NASD fines B/D for VUL timing, E-mail retention violations*

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Jefferson Pilot Variable Corp. has become the first broker/dealer to be fined by the NASD for market timing in its variable universal life (VUL) insurance policies. The Concord, New Hampshire-based B/D must pay \$325,000 for not having an adequate supervisory system in place to prevent marketing timing and excessive trading in the subaccounts of its Ensemble series of VULs. The firm must also pay \$238,697 in restitution to investors of the affected funds. Those two fines combined total more than \$500,000. That's not all. Jefferson Pilot Securities Corp. was fined \$125,000 for e-mail retention violations.

According to the NASD, Jefferson Pilot failed to determine whether its electronic system that is designed to recognize and block subaccount transfers in excess of policy limits was functioning. As a result, "292 Ensemble series VUL policyholders were permitted to exceed the 20-transfers-per-policy-year limit described in the prospectus," the NASD said.

Jefferson Pilot Securities was fined because it purged the e-mails of 217 registered persons who were employed by its life insurance subsidiary after 60 days. NASD rules require that e-mails be kept for at least three years.


In a prepared statement, Paul Mason, a Jefferson Pilot spokesman, said, "While Jefferson Pilot Variable Corp. has not admitted or denied the NASD charges and consented to the entry of the NASD findings, there is additional information we would like to note. Prior to the NASD examination, Jefferson Pilot discovered the referenced administrative deficiencies and took immediate steps toward

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resolution of the deficiencies and restitution to investors.” Mason also said “Jefferson Pilot fully cooperated with the NASD during their review of these issues. Our goal is to ensure we comply with the highest standards of integrity and are in compliance with all regulations.”

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